



™Understanding Today's Rental Market

A recent USA Today headline read “**Renters win as vacancy rate climbs.**” The article reflects the current market place where current rental supply exceeds demand. It's an interesting read but reflects only the immediate condition. At tonsofrentals.com we have noticed two primary factors converging in the past 16 months that impact the rental market for quality single family rental homes.

First, a large supply of available rental inventory has been added to the market due to the dramatic change in real estate values. Homes that have not sold have been added to the rental market in an attempt to generate cash flow. Job loss and job transfer has increased (directly related to increase in unemployment) causing homes to be placed on the rental market. Due to the related downturn in value, investors have entered into the buyers market turning previously owner occupied homes into income producing rental property.

Secondly, many previous homeowners have either voluntarily become renters or have been forced to become renters due to job change, location change or credit problems. Some voluntary renters have discovered that renting an above average home (\$187,000 +) costs less than owning the same home resulting in a happy and stable resident.

Whatever the case, vacancy remains at a higher level than the recent past. This means that being flexible with lease terms and rent amount in the short term are critical to filling a vacant property and allowing for long term success as we plan for increased demand just around the corner.

Remaining innovative is a key to filling vacancies now. One option we are able to provide our owners and residents is a lease buyout option. The way it works is simple. If the lease buyout option is included in the lease, the resident may choose to terminate his lease early by giving 30 day notice and paying an early termination penalty equal to two months rent. This optional clause in the lease has proven to be helpful in getting the resident prospect to commit to a property because of the flexibility it allows if for any reason a move becomes necessary. What's interesting is that most residents stay the full length of the lease or longer

but the flexibility of being able to exit from a 12 month lease earlier than expected will often result in a lease signing.

A valuable practice for every landlord when preparing to market a vacant rental property is to determine your negotiation parameters from the beginning. You may want to put pencil to paper to identify your bottom line requirements. Make sure you communicate your needs to your [tonsofrentals.com](https://www.tonsofrentals.com) representative.

Have an answer for the following questions:

- What is the lowest rent I can afford to accept?
- Is my lowest rent within the current range of market rent?
- What other upgrades can I offer to a resident?
 - New paint
 - Carpet
 - First months rent discount to help offset moving expenses

The future of owning a small residential rental investment is as good as it's ever been. Demand for rental property is expected to remain strong and supply will be absorbed in the near term. We expect vacancy to begin dropping but working through the next twelve to fifteen months will simply require innovation and a little fortitude. Please contact your [tonsofrentals.com](https://www.tonsofrentals.com) representative if you have any questions or we can assist in any way.